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OGC 78-6499

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29 September 1978

MEMORANDUM FOR: Director of Central Intelligence
THROUGH : Deputy Director of Central Intelligence
FROM : Anthony A. Lapham
General Counsel
SUBJECT : Report to Congressional Oversight
Committees Regarding Exemption Directives
Issued Under Foreign Corrupt Practices Act
REFERENCE : Memo for DCI fm AALapham, dtd 8 Mar 78,
Subj: Ltr to Hon. Zbigniew Brzezinski
Re: Implementation of the Foreign
Corrupt Practices Act of 1977, w/att.
DCI ltr to Brzezinski.

1. Action requested. Your signature on the attached letters to the Chairmen, Senate Select Committee on Intelligence and the House Permanent Select Committee on Intelligence.

2. Background. In referent memorandum, this Office outlined for you the potential impact on various covert CIA operational and procurement practices presented by the enactment of the Foreign Corrupt Practices Act of 1977, which in relevant part requires all U.S. corporations registered with the Securities and Exchange Commission to maintain "in reasonable detail" accurate internal corporate records. Our memorandum further advised that Congress, at CIA's urging, adopted an amendment to the Act which essentially exempts a company from this requirement when it is cooperating in a matter relating to the national security and the responsible Federal agency certifies this fact to the corporation concerned by means of a specific, written directive. Although the so-called "national security" amendment does not mandate review or approval of the actual directives by any third parties, Congress did insert requirements for prior Presidential "authorization" to the agency to issue such directives as well as for reports by the Agency on 1 October of each year to the House and Senate Intelligence Oversight Committees "summarizing the matters covered" by directives in force

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during the previous year. Thus, in order to first gain the requisite White House authorization, referred memorandum contained a proposed DCI letter to Dr. Brzezinski outlining what an Agency-wide survey concluded would be the six major categories of confidential CIA/U.S. corporate relationships for which specific directives would be required. You signed that letter on 13 March and, after NSC staff consultations with White House and Justice Department attorneys, Dr. Brzezinski responded with a 4 April 1978 memorandum to you authorizing CIA to issue specific directives under each of the six categories.

3. Supporting data. The attached proposed letters to Senator Bayh and Representative Boland will serve to satisfy CIA's remaining statutory obligation to provide SSCI and HPSCI with an annual summary by 1 October of the kinds of matters covered by the exemption directives issued by the Agency during the preceding year (or, in this case, since the legislation was enacted on 19 December 1977).

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[redacted] previously submitted to the White House and formally approved by Dr. Brzezinski. In addition, the letters also state that CIA is in the process of preparing a "significant number" of exemption directives (in point of

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4. For your general information, our established internal procedures governing the preparation, issuance and control of exemption directives are in place and appear to be functioning efficiently. Pursuant to your written delegation of 18 April 1978, this Office is the focal point and initiator of all exemption directives issued by CIA. Pursuant to these existing procedures, after the designated senior corporate official in each case formally acknowledges receipt of the directive in the appropriate space hereon, this Office in most cases maintains the central Agency file containing the originals of these duly executed and acknowledged directives. A copy of one such completed directive has been included in the background materials for your general reference.

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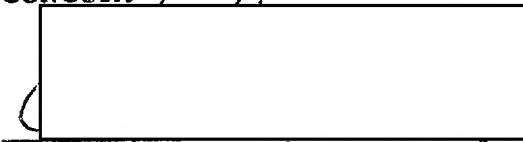
5. Recommendation. That you sign the attached, identical letters to Senator Bayh and Representative Boland in accordance with CIA's Congressional reporting requirements under the Foreign Corrupt Practices Act.



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Anthony A. Lapham

CONCUR:



Legislative Counsel

29 Sept 78
Date

for

Att.

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The Director

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Washington, D.C. 20505

3 OCT 10/8

The Honorable Birch Bayh
Chairman
Select Committee on Intelligence
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This letter is submitted in accordance with requirements set forth in section 102(3)(B) of the Foreign Corrupt Practices Act of 1977 (15 U.S.C. 78m), recently-enacted legislation which in relevant part obliges all U.S. publicly-held corporations to "make and keep books, records, and accounts which in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets" of the corporation. However, under a so-called "national security" provision contained in section 102(3)(A) of the Act, a corporation can be relieved from these requirements for accuracy in corporate books and records with respect to particular classified matters relating to the national security in which it may be involved, provided that in each instance the corporation is specifically exempted from liability under the Act by means of a written directive issued by a Federal agency responsible for the national security matter in question. Section 102(3)(B), in turn, requires that on October 1 of each year the head of each Federal agency which issues such specific exemption directives must "transmit a summary of matters covered" by all exemption directives in force at any time during the previous year to the Permanent Select Committee on Intelligence of the House of Representatives and Select Committee on Intelligence of the Senate.

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[Redacted]

I trust that the foregoing satisfies CIA's statutory obligation under section 102(3)(B) of the Foreign Corrupt Practices Act to provide your committee with a summary of the kinds of matters covered by the exemption directives issued by CIA in accordance with the section 102(3)(A) of the Act during the past year. Any further questions which the committee staff may have concerning this matter can be referred to my General Counsel, Anthony A. Lapham.

Yours sincerely,

/S/

STANSFIELD TURNER

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The Director
Central Intelligence Agency

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Washington, D.C. 20505

3 OCT 1978

The Honorable Edward P. Boland
Chairman
Permanent Select Committee on Intelligence
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter is submitted in accordance with requirements set forth in section 102(3)(B) of the Foreign Corrupt Practices Act of 1977 (15 U.S.C. 78m), recently-enacted legislation which in relevant part obliges all U.S. publicly-held corporations to "make and keep books, records, and accounts which in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets" of the corporation. However, under a so-called "national security" provision contained in section 102(3)(A) of the Act, a corporation can be relieved from these requirements for accuracy in corporate books and records with respect to particular classified matters relating to the national security in which it may be involved, provided that in each instance the corporation is specifically exempted from liability under the Act by means of a written directive issued by a Federal agency responsible for the national security matter in question. Section 102(3)(B), in turn, requires that on October 1 of each year the head of each Federal agency which issues such specific exemption directives must "transmit a summary of matters covered" by all exemption directives in force at any time during the previous year to the Permanent Select Committee on Intelligence of the House of Representatives and Select Committee on Intelligence of the Senate.

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Yours sincerely,

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STANSFIELD TURNER

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